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SUBJECT: DISMISSAL OF CHUUK FINANCE DIRECTOR SETS BACK REFORM

REF: KOLONIA 45

1. (SBU) On July 11, Chuuk State Governor Wesley Simina abruptly fired President Mori's handpicked and staunchly determined fiscal manager, Gillian Doone, who made major headway in balancing the budget of a bankrupt state. Governor Simina simply cited "repeated insubordination" as the cause of dismissal. The U.S.-FSM Joint Economic Management Committee (JEMCO), which makes annual decisions about Compact funds, conditioned release of major assistance to Chuuk on the appointment of a financial manager of high competence and integrity. Doone was one of the few Micronesians who was prepared to take on such a difficult and unpopular mission, and he did so expressly at the President's request. However, Doone was on contract to the Governor, who resisted reform, pandered to an opportunistic legislature and sought the release of funds for his own reelection, according to many observers.

2. (SBU) FSM Foreign Affairs Secretary Lorin Robert told Ambassador that President Mori's high hopes for reform in the FSM's largest and most desperate state were dashed by the loss of Doone. Mori was also exceedingly angry, Robert said. Governor Simina had not called or written to the President to explain his action. Also, Simina declined to attend Mori's meeting with FSM Governors in Kosrae this week, which will include important sessions on possible Compact cutbacks and tax reform. In his place, Simina reportedly sent his Lieutenant Governor.

3. (SBU) In the absence of communication from Simina, Secretary Robert said President Mori composed and conveyed a stinging, personal letter to the Governor on July 16. Mori reportedly wrote, "I will condition my further support to you" on the appointment of another financial manager of the caliber of Gillian Doone. Mori recommended former FSM Vice President Redley Killion as a replacement. However, Killion, who is currently running in opposition to Simina in gubernatorial elections that will take place next spring, is unlikely to put his neck in the noose of such an untenable position. Mori is fully aware that it will be very, very difficult to effectively replace Doone. Robert said the President concluded his letter with an admonition to Simina that he must "share a plan for replacing Gillian with some one else who has the backbone to say No - and not be a puppet. This must be someone who is acceptable to myself and to the (U.S.) Department of the Interior," Mori wrote.

4. (U) While Chuuk is reeling from this development, Doone may be preparing to run for office as an FSM Senator, representing Chuuk in elections that will occur in March 2009. To many, Doone has become a public hero. In an on-line blog, Doone said events that led to his termination included: a lawsuit he launched to determine the state constitutional legitimacy of additional allowances for Chuukese legislators; questionable severance payments to so-called employees who lost their jobs in a mandated reduction-in-force, to which the U.S. contributed over USD 2 million in Compact compensation; and his perception

of improper payments to Chuuk's utilities corporation, which the Governor authorized when no funds were available.

15. (SBU) The night before Doone was fired, a reliable American source in Chuuk observed Governor Simina drinking in a bar until the early morning hours with FSM Secretary of Resources and Development Peter Christian (Pohnpei State). Christian was in Chuuk to transact a transfer of oil terminal assets from Chuuk State to a new national petroleum corporation (Kolonia 103.) Within an FSM national Cabinet fraught with political schisms, some believe the Pohnpeians are scheming to destabilize President Mori and his Chuukese cohorts. If Christian did indeed influence the Governor to dismiss Doone, he may have succeeded in delivering a significant blow to President Mori and to FSM stability and progress.

HUGHES